



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

ASSESSING THE OFFICE OF THE AUDITOR-GENERAL

SAI PERFORMANCE MEASUREMENT FRAMEWORK



Parliament of Fiji
Parliamentary Paper No. 07 Of 2021



OFFICE of the AUDITOR GENERAL
Republic of Fiji

VISION

**Promoting public sector accountability
and sustainability through our audits**

To provide independent value adding
audit services

MISSION

To provide an environment where
our people can excel

RESPECT

We uphold respect
in our relationships.

INTEGRITY

We are ethical, fair and
honest in our duties.

INDEPENDENT & OBJECTIVE

We work independently
and report objectively.

VALUES

COMPETENCE

We deliver to the best
of our abilities and to
the highest standard of
professional conduct.

TRANSPARENCY

Our processes
are transparent.

CONFIDENTIALITY

We maintain audit
related information
confidential.

PROFESSIONAL FRAMEWORK

International Standards for Supreme Audit Institutions

International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE
REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

02 February 2021

The Honorable Ratu Epeli Nailatikau
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Gladstone Road
SUVA.

Dear Sir

ASSESSING THE OFFICE OF THE AUDITOR-GENERAL - SAI PERFORMANCE MEASUREMENT FRAMEWORK

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to voluntarily transmit to you a summarized report on the assessment of the Office of the Auditor-General against international standards, the SAI Performance Measurement Framework.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

Ajay Nand
AUDITOR-GENERAL



Encl.

Acronyms

Abbreviation	Meaning
AFROSAI-E	African Organisation of English speaking Supreme Audit Institutions
APA	Annual Performance Assessment
CSO	Civil Society Organisations
COE	Code of Ethics
EQCR	Engagement Quality Control Review
HR	Human Resource
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
IWP	Individual Work Plan
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PAM	Performance Audit Manual
PASAI	Pacific Association of Supreme Audit Institutions
QA	Quality Assurance
QC	Quality Control
SAI	Supreme Audit Institutions
SAI PMF	Supreme Audit Institutions Performance Measurement Framework
SAI-PR	Supreme Audit Institutions Performance Report
TOR	Terms of Reference
UNDP	United Nations Development Programme

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AUDITOR-GENERAL'S FOREWORD

Supreme Audit Institutions (SAIs) play a critical role in strengthening governance, accountability and transparency in government. As such the Office of the Auditor General (OAG) is expected to promote transparency and accountability through good governance of its own affairs in an ethical manner in order to fulfil its mandate. To assist in this crucial role, it is important that OAG lead by example and be a model organization.

The Supreme Audit Institution Performance Measurement Framework (SAI PMF) has been formally adopted by the International Organisation for Supreme Audit Institutions (INTOSAI) and is widely used to assess both the quality of audit work and how SAIs operate and managed. The Framework is based on the International Standards for Supreme Audit Institutions (ISSAI) and other international good practice standards for public sector auditing.

The decision to undergo a SAI PMF assessment was made in order to provide an independent assessment of the current operations and audit practices of the OAG, against the international standards, specifically, ISSAI and other established international good practices for public auditing. This decision also gives OAG an opportunity to become a model organization, leading by example in promoting transparency and accountability through credible public reporting on its own performance.

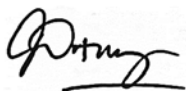
While the external assessment has provided OAG the assurance that certain areas of operations and audit practices are up to international standards, it has also indicated some parts of our audit practices and operations that require significant improvements.

Appendix 1 details the scores for each indicator covered in the assessment.

This report summarizes and presents the overall results of the assessments according to the strengths and opportunities for improvements identified from the independent external assessment. It has been adapted from the full report. I am also reporting for Parliament's scrutiny the key actions that OAG has identified from the areas for improvements and the status of their implementation since the final report was received in April 2020.

The Office of the Auditor-General will continue to endeavor to maintain or improve its work processes, procedures and systems to the highest standards expected of a Supreme Audit Institution. Before the external assessment, OAG embarked on a project from March 2018 to modernize the audit legislation, Audit Act 1969. This work was undertaken by a legal consultant engaged through the Pacific Association of Supreme Audit Institutions. It is my hope that a modern audit legislation will strengthen the mandate of the Auditor-General and provide clarity to the work of the Office of the Auditor General.

I wish to acknowledge and thank PASAI, IDI and the staff involved in the assessment that resulted in this report. I also thank the Executive Management Team of OAG for supporting me to present the results of the SAI PMF assessment to Parliament.



Ajay Nand
AUDITOR-GENERAL

PART 1 – SAI PERFORMANCE MEASUREMENT FRAMEWORK

Introduction

- 1.1 The Performance Measurement Framework (PMF) is an international framework for assessment of a Supreme Audit Institution (SAI) performance against the International Standards of Supreme Audit Institutions (ISSAIs), and other established international good practices for external public auditing. It was developed by the INTOSAI Working Group on the Value and Benefits of SAIs.
- 1.2 The framework can be applied to all types of SAIs, regardless of SAI models¹ mandate, national context and development level, so long as the SAI considers the ISSAIs as a relevant benchmark. It covers audit work, internal governance and ethics, relationships with external stakeholders, and independence and legal framework.
- 1.3 By 2019, 61 assessments were finalized globally, with 39 new assessments initiated, and 29 evaluations in the field study or finalization phase. This continued increase in assessment numbers indicates that SAI PMF is well underway to becoming the globally recognised tool for holistically assessing SAI performance. The use of the SAI PMF is voluntary for SAIs and the decision to publish the report rests with the Head of the SAI. The publishing of the results of the assessment makes the Office of the Auditor-General of the Republic of Fiji (OAG), one of only a handful of SAIs globally that have chosen to do so.

Objective

- 1.4 The decision to undergo a SAI PMF assessment was made by the Auditor-General in order to, provide an independent assessment of the current operations and audit practices of the Fiji Office of the Auditor-General (OAG), against the international standards, specifically, the International Standards for Supreme Audit Institutions (ISSAIs) and other established international good practices for public auditing.
- 1.5 The assessment was funded by the European Union and implemented by the United Nations Development Programme (UNDP) in partnership with the Pacific Association of Supreme Audit Institutions (PASAI).
- 1.6 In line with the objectives of ISSAI 12 - *The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens*, the SAI PMF also provides the OAG with an objective basis for demonstrating its ongoing relevance to citizens and other stakeholders. It assesses the OAG's contribution towards strengthened accountability, transparency and integrity. It also gives OAG an opportunity to become a model organization, leading by example in promoting transparency and accountability through credible public reporting on its own performance.

Overview of the SAI Performance Measurement Framework

Domains and Indicators

- 1.7 The SAI PMF uses the International Standards of Supreme Audit Institutions (ISSAIs) as the main benchmark against which performance is measured. The framework is categorized into six main categories or domains covering the overall functions of a SAI. Within these domains are 25

¹ Westminster model (Audit Office), Board/Collegiate model, Judicial model (Court of Accounts/Audit)

performance indicators. An overview of the six domains and their corresponding performance indicators are shown in the table below:

Table 1: SAI PMF Indicators

INDICATOR	DOMAIN
A. Independence and Legal Framework	
SAI-1	Independence of the SAI
SAI-2	Mandate of the SAI
B. Internal Governance & Ethics	
SAI-3	Strategic Planning Cycle
SAI-4	Organisational Control Environment
SAI-5	Outsourced Audits
SAI-6	Leadership & Internal Communication
SAI-7	Overall Audit Planning
C. Audit Quality & Reporting	
SAI-8	Audit Coverage
SAI-9	Financial Audit Standards & Quality Management
SAI-10	Financial Audit Process
SAI-11	Financial Audit Results
SAI-12	Performance Audit Standards & Quality Management
SAI-13	Performance Audit Process
SAI-14	Performance Audit Results
SAI-15	Compliance Audit Standards & Quality Management
SAI-16	Compliance Audit Process
SAI-17	Compliance Audit Results
SAI-18-20	<i>Not applicable to OAG (For SAIs with Jurisdictional Functions)</i>
D. Financial Management, Assets & Support Services	
SAI-21	Financial Management, Assets & Support Services
E. Human Resources & Training	
SAI-22	Human Resource Management
SAI-23	Professional Development & Training
F. Communication & Stakeholder Management	
SAI-24	Communication with the Legislature, Executive and Judiciary
SAI-25	Communication with the Media, Citizens and Civil Society

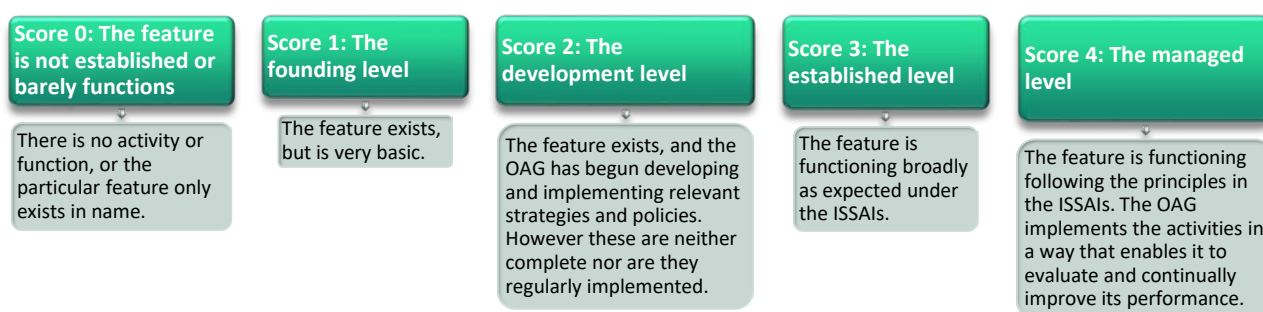
- 1.8 The indicators predominantly measure things which are within the control of the OAG, that is, its organisational systems and professional capacity. The exception is *Domain A on Independence and Legal Mandate*, which measures the OAG's independence and legal framework. These are factors which are mainly decided by other bodies in the national governance system and which the OAG has limited influence on. They are included nevertheless because they are crucial to the OAG's performance, and are given considerable emphasis in the ISSAI framework.
- 1.9 The indicators in *Domain C on Audit Quality and Reporting* constitute a significant part of the framework. This domain presents a set of 13 indicators that measure the three audit disciplines – financial audit, performance audit and compliance audit (as they are identified by the ISSAIs).

Scoring Levels

- 1.10 Indicators are scored using a numerical scale from 0 to 4, where 0 is the lowest level, and 4 is the highest. Scores broadly correspond to the level of development in the area measured by the

indicator in keeping with the practices of INTOSAI capability models. The indicators are designed to enable objective measurement, although a certain amount of professional judgment is applied by the assessors.

- 1.11 The SAI PMF does not provide an aggregated score for the organization as a whole, due to the fact that all indicators are not equally important, and their relative significance will vary from year to year. The level of development and hence the scores, varies widely across the OAG's activities. The indicator score levels are illustrated in Figure 2 below:



(Figure 2: SAI PMF Scoring Levels)

SAI PMF Assessment Methodology

- 1.12 Conducting a SAI PMF assessment was a comprehensive process and the following were the main stages of the assessment:
- The decision to conduct the assessment
 - Planning the assessment
 - Carrying out the assessment
 - Quality management
 - After the assessment – using the results

Decision to Conduct the Assessment

- 1.13 The decision to conduct a SAI PMF assessment was a voluntary one made by the Auditor-General of the Republic of Fiji. The assessment covered the financial period 01 August 2018 to 31 July 2019.

Planning the Assessment

Phase 1: 17 June – 4 July 2019

- 1.14 The assessment team gathered initial basic information about the OAG and the environment in which it operates including constitutional and legal framework and mandate; recent annual reports; organisation structure; and strategic, corporate and annual audit plans. This information was used to prepare the assessment Terms of Reference (TOR). The Auditor-General of the Republic of Fiji also decided to present to Parliament and publish the report on the assessment results.
- 1.15 The assessment was done by an external team of assessors from the Pacific Association of Supreme Audit Institutions (PASAI) and the Tonga Office of the Auditor-General. All key decisions were documented in the TOR for the assessment, which was prepared by the assessors in collaboration with OAG, and agreed with the Auditor-General.

Carrying Out the Assessment

Phase 2: 8-19 July 2019

- 1.16 The assessment was done through a two-week in-country mission in Suva, Fiji from 8-19 July 2019. In order to have an effective assessment of the OAG's current audit practices and office administration processes, the time period covered by the assessment was the financial year of 01 August 2018 to 31 July 2019.
- 1.17 The main sources of information used were structured interviews based on the SAI-PMF criteria with key staff of the SAI of Fiji (including the Audit Managers of the audits selected for review), a review of relevant Fiji OAG internal documents, external reports and documents and specific audit files (the sample) relating to audits either finalised or in progress during the assessment scope.
- 1.18 The assessment team also supplemented these sources of information with an anonymous staff questionnaire designed to assess strategies and initiatives taken by SAI leadership to set the tone at the top, incentivise better performance and build an ethical culture.
- 1.19 The sample of audit files reviewed was independently selected by the assessment team from the list of audits completed during the period covered by the assessment provided by the Fiji OAG. The audits selected for detailed review (the audit sample) were selected by the assessment team based on criteria to provide a reasonable representation of the Fiji OAG's audit activities during the period under review. The sample, drawn from the three audit types as set out in the SAI's mandate, was also designed to provide a cross-section of the different kind of instrumentalities subject to audit e.g. municipal and local councils and also the SAI's outsourced audits.
- 1.20 Individual team members had responsibility for specific indicators in their assessment and scoring. The Team Leader was responsible for quality oversight of the evidence gathering process and for the compilation of the draft report. A presentation of initial key findings from the assessment, was made to the Auditor-General, Deputy Auditor-General, and executive management at the end of the in-country mission.

Phase 3: 23 Aug - Nov 2019

- 1.21 During this phase the assessment team prepared the first draft of the assessment report.

Quality Management

Phase 4: August 2019 - 10 February 2020

- 1.22 The assessment team leader Ms. Claire Kelly (PASAI Performance Audit Advisor) was responsible for the first level of quality control covering the review of working papers, work of the team, supervision and monitoring of progress. The Auditor-General received the draft report in August 2019 for review and comment with the objective of ensuring that the report was factually correct.
- 1.23 An independent review of the draft report was arranged by the INTOSAI Development Initiative (IDI). The external reviewers had no responsibility in preparing the SAI performance report. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all objectives have been satisfactorily met in the final report dated 8 April 2020.

PART 2 –ASSESSMENT AND RESULTS

Domain A - Independence & Legal Framework

- 2.1 The assessment for this domain covered the legal mandate of the Office of the Auditor General (OAG) and its independence.

The scores were at the higher levels of 3 and 4.

- 2.2 The degree of independence of SAI Fiji was assessed according to the key aspects of independence as set out in the Lima Declaration (ISSAI 1) and the Mexico Declaration (ISSAI 10) as follows:

- Appropriate and effective Constitutional framework
- Financial Independence/Autonomy
- Organisational Independence/Autonomy
- Independence of the Head of the OAG and its members

- 2.3 The breadth of the SAI's mandate was assessed in terms of the scope and nature of the duties and responsibilities of the Auditor-General and SAI as well as its ability to access all information it requires to fulfil its functions and its right and obligation to report.

- 2.4 All issues identified for improvement have been captured in the review of the Audit Act 1969. The work of modernizing the audit legislation commenced in March 2018 with the involvement of a legal consultant engaged through the PASAI. This work has been completed and the result submitted to the relevant authorities.

Strengths

- 2.5 The roles, powers and duties of the Auditor-General and the Office of the Auditor-General are firmly established in the 2013 Constitution and Audit Act 1969.
- 2.6 OAG has a high degree of organisational independence in the management of and organisation of the Office and is not subject to direction or interference from the Legislature or the Executive.
- 2.7 The Auditor-General and OAG have a sufficiently broad mandate and can conduct financial audits of all public entities, regardless of whether or how they are reflected in the national budget. OAG is also mandated to undertake other audits such as performance and compliance audits of government business operations.
- 2.8 The Auditor-General's rights to report to Parliament are robust. The Constitution and the Audit Act 1969 empowers and requires the Auditor-General and OAG to report audit findings annually and independently to Parliament. Although the legal framework is silent on the subject of the publication of the Auditor-General's reports, in practice, the reports are placed on OAG's website after they have been tabled in Parliament.

Opportunities for Improvement

- 2.9 A key aspect of an appropriate and effective Constitutional framework to support SAI operations includes the provision for immunity from prosecution in the normal discharge of SAI duties. There is scope for improving Constitutional support of the Auditor-General and OAG by addressing issues related to immunity from prosecution in the normal discharge of duties. The general

immunity provisions set out in section 157 of the Constitution do not explicitly provide immunity for the Auditor-General and his staff in the normal discharge of its legislated duties.

- 2.10 There is a need to provide greater clarity around OAG's financial independence/autonomy.
- 2.11 Although the Auditor-General and the OAG have significant rights of access to information, some gaps in exercising these rights are emerging, which will require legislative enhancement.

Domain B - Internal Governance & Ethics

- 2.12 Under this domain, the assessment measured the overall performance of OAG in the area of internal governance and ethics covering the following aspects:
 - Strategic planning cycle
 - Organizational control environment
 - Outsourced audits
 - Leadership and internal communication
 - Overall audit planning

The overall scores for the indicators ranged from 1 to 3.

Strengths

- 2.13 OAG's organizational planning process is led by the Executive Management so there is high-level ownership of the planning process. All staff within the Group are involved and provide input in developing their Group plan. There is a high degree of awareness and buy-in of the organizational plans. The divisional plans are available and accessible by all staff.
- 2.14 OAG's strategic plan is available on its website and was developed when the previous plan (2015-2018) was in place. The annual plan (business plan) covers all areas of operations including financial management, HR, training and IT infrastructure. While responsibility is assigned for each activity, timelines for completion of each activity is included in divisional work plans.
- 2.15 OAG's Audit Manual Policy and Procedures Guidelines prescribe the requirements including competencies, for contracted auditors. This is supported by the Policy on Engagement of Audit Service Provider which requires rotation of external auditors every three years
- 2.16 OAG has an independent Quality Assurance Unit which reports directly to the Auditor-General. The Unit is governed by the QA Policy.

Opportunities for Improvement

- 2.17 While annual planning and monitoring of plans are consistently carried out as led by the Deputy Auditor-General, the practices/processes of developing and monitoring of strategic plan, business plan and audit plan are not documented. However, despite the absence of a documented process, the executive management is aware and familiar with their responsibilities in relation to developing the organizational plans.
- 2.18 Although OAG's strategic plan is based on an analysis of its development needs and its operational environment, including the specification of manageable indicators, stakeholders' expectations were not factored into its development. In the current plans, we have considered

the views and suggestions of our stakeholders through the various surveys which have been undertaken in the past three years.

- 2.19 OAG's QA policy could be enhanced by specifying the frequency with which QAs should be conducted and criteria assisting the QA team to select audits for its review. In addition, the QA process does not include a review of a sample of outsourced audits.
- 2.20 While OAG has a range of documented policies and procedures for the major areas covering its operations, internal controls have not been regularly reviewed. In addition to the establishment of a Risk and Compliance Officer position, we have also established an Internal Audit, Risk and Compliance Committee to assist the Executive Management in discharging its corporate governance responsibilities.
- 2.21 OAG did not have an Overall Audit Plan. The annual audits to be conducted in a year are reflected in five different plans for each of the Audit Groups. An Overall Audit Plan for FY 2020/2021 has now been developed and approved for implementation.
- 2.22 OAG has adopted the INTOSAI Code of Ethics or ISSAI 30 in its entirety with no adaptation to take account of the particular circumstances of the environment in which it operates. As a consequence, there is no ethical guideline based on Fiji's context to support staff's understanding of the requirements of the Code of Ethics and what this means in practice.

Domain C - Audit Quality & Reporting

- 2.23 This domain assesses the OAG's performance in its mandated functions of financial, performance and compliance audits. The assessment reviews all stages of the audit process (planning, execution and reporting) in each of the three audit disciplines to measure how well it is carried out in accordance with the ISSAIs. It assesses the quality as well as outputs of the audit work that is the core business of the OAG.
- 2.24 This domain contains 13 indicators, 10 of which were applicable to OAG. These indicators assess the following:
- audit coverage;
 - audit standards and quality management;
 - audit processes; and
 - audit results in each of the three audit disciplines.
- 2.25 The mandate of the OAG defines its responsibilities for conducting various types of audits. Financial audits focus on whether an entity's financial information is presented in accordance with the financial reporting and regulatory framework. Performance audits focus on whether interventions, programs, and institutions are performing in accordance with the principles of economy, efficiency, and effectiveness, and whether there is room for improvement. Compliance auditing assesses whether activities, financial transactions, and information are, in all material respects, in compliance with the authorities that govern the entity.
- 2.26 Overall, the scores ranged from 1 to 4 across all the indicators assessed.

Strengths

- 2.27 With a revitalized performance audit services division, which was virtually disbanded in FY 2016, OAG is now in a position to provide the type of audit coverage as required under ISSAI 12: *The Value and Benefits of Supreme Audit Institutions* and ISSAI 300: *Performance Audit Principles*. To

support this, the OAG has an ISSAI-based Performance Audit Manual adopted in 2018, and two Strategic Performance Audit Plans to improve its processes of coverage and selection of performance audit topics.

- 2.28 OAG's Financial Audit Manual 2018 was prepared in accordance with the ISSAIs and contains all elements as prescribed by ISSAI 200. Audit team skills and competencies are assessed using a working paper (Competency Matrix) and responsibilities for the audit and quality control is also set out in the Team Agreement working paper. The quality control process is established in accordance with ISSAI 40 which subjects all audit work to review by senior members of OAG.
- 2.29 OAG's Performance Audit Manual (PAM) provides a solid foundation setting out performance audit standards and policies in compliance with international auditing standards. The OAG has a well-established quality control function for performance auditing – including the identification of key quality points in its PAM which is supplemented by corresponding templates in Teammate.
- 2.30 For compliance audit, the assessment noted that all work done was subject to review ensuring quality and promoting learning and personnel development. The review by three levels of management (team leader, audit manager, audit director) aimed at ensuring that the audit complies with the applicable standards and that the audit report and conclusion is appropriate given the circumstances.
- 2.31 OAG employs an additional level of quality control for its audit work with the establishment of a new corporate function - Quality Assurance in 2017. The team reviews the adequacy of quality controls, and compliance at the individual audit as well as at the institutional level. This is a critical element in conducting high quality audits in accordance with international standards. Team members are independent of the audits selected for review and have received training to carry out quality assurance reviews.
- 2.32 OAG's financial audit process has many positive features including its approach to planning which is well documented in the planning folder in Teammate. The Office is currently developing a more suitable sampling methodology, and the format of its audit opinion/report complies with ISSAI standards.
- 2.33 An initial audit pre-study and identification of potential risks and problems is a well-established performance audit practice in OAG, as are the requirements for robust audit work planning. In both sampled audits, appropriate evidence was collected to enable conclusions to be reached. The sample of two performance audit reports reviewed – one in draft and one completed indicated that, in preparing those reports, OAG performance audit staff complied fully with the requirements of the OAG PAM 2018.
- 2.34 The assessment noted that although the compliance audit approach was a 'work in progress' one for the OAG during the period under review, an overall audit strategy and plan was included in the electronic audit file, describing the subject matter, audit objective, scope and audit criteria.
- 2.35 All financial audit reports that were submitted to Parliament were published in a timely manner. Follow-up of results takes place as part of the following year's audit with the status of follow up included in the management letter along with the current year issues. This forms part of the consolidated report to Parliament and is also published.
- 2.36 All performance audits were submitted to the appropriate authority (the Legislature, the auditee and/or the relevant ministry) within the legally defined or agreed time frame.

- 2.37 With regards to follow-up for compliance audits and financial audits, the OAG has its own guidelines, *OAG Follow-Up Audit Guidelines, March 2018*. These guidelines describe the process for when to conduct a follow-up audit, objective of the audit, procedures and reporting requirements and format. All reports are submitted to the audited entity's executive management and Parliament.

Opportunities for Improvement

- 2.38 OAG's planning documents and its mandate identify the totality of the entities subject to audit annually. For financial audits, the Office faces a considerable challenge with a large number of audits outstanding for the period under review. It is addressing this backlog proactively and working with the responsible entities to put in place a strategy. Additionally, the annual report of the office reports on all financial statements that were not submitted for audit during the year, and also provides clarifications on why audit targets were not achieved.
- 2.39 OAG is revitalizing its performance audit function which was dormant in 2016 to 2017. With this pause, staff with performance audit skills and competencies had moved on. OAG is now investing heavily to revitalize this skills base and ensure that the Office carries out performance audits according to the mandate of the Auditor-General under the Audit Act 1969, and in accordance with international auditing standards.
- 2.40 OAG did not have a documented and systematic process for selecting entities to be subject to compliance audit, instead, each audit group identifies risk areas from their portfolio as audit topics. However, standalone compliance audits are a very small part of the OAG's audit work and is currently being developed.
- 2.41 OAG's financial audit quality control system lacks procedures for conducting an engagement quality control review (EQCR). The OAG has recently developed a policy on the EQCR which it plans to implement as stated in our Business Plan for FY 2020/2021.
- 2.42 There is scope for improvement concerning the establishment of a process to ensure that the knowledge, skills and expertise required for conducting performance audits are identified and applied consistently. The assessment noted that this could be a useful addition in a program of performance audit training for staff. The OAG Talent Management Team is currently working on a process to ensure this is done.
- 2.43 The need for a compliance audit manual in accordance with international standards was highlighted by the assessment. As our compliance audit approach was a work in progress at the time of the assessment, this issue was addressed through a training for staff in compliance auditing, facilitated by AFROSAI-E in September 2019, with the OAG subsequently adopting an ISSAI based Compliance Audit Manual in January 2020.
- 2.44 There is a need to strengthen two areas in financial audit, the risk assessment process and having a clear guideline on the amount of testing to be done in response to the assessed risk. OAG Policy Development and Research Committee is working on a guideline to address this issue, while the Quality Assurance function has also carried out awareness sessions on improving the risk assessment process.
- 2.45 For performance audits it was recommended that OAG consider discussing the audit criteria with the audited entities, assessing the risks of fraud during the planning stage of the audit, and whether and how we will use identified external expertise. An opportunity for improvement also exists in terms of a consistent methodology for applying analytical approaches to data analysis.

The need to effectively manage overall risks that were identified in the Annual Work Plan was also highlighted.

- 2.46 Our approach to compliance auditing was a work in progress at the time of the assessment, as some critical elements were in place while others were yet to be developed. The level of assurance to be provided by the audit needs to be stated in the overall audit strategy and plan. The sample size and how the sample was selected also needs to be described. While the source of audit criteria was included in the audit report, the actual criteria used to assess the subject matter was not stated. To address these issues, the newly adopted compliance audit manual has a systematic process supported by corresponding working papers templates to ensure compliance with these critical elements of ISSAI 400.
- 2.47 Currently there are no legal requirements concerning the timing of publication of performance audit reports. Section 38 (3) of the Standing Orders of the Parliament of the Republic of Fiji states that “once presented to Parliament, a paper must be made available to the public”. As such, OAG has adopted the practice of publishing audit reports on its website as soon as they have been tabled in Parliament.
- 2.48 There is no legal specification on the timing of compliance audit reports to Parliament, unlike legal reporting requirements for financial and performance audits which are clearly articulated in the Audit Act 1969. The timely publication of compliance audit reports is also affected by the lack of a specified timeline. As stated on paragraph 2.47, OAG has adopted the practice of publishing audit reports on its website as soon as they have been tabled in Parliament. While the OAG has follow up procedures in the *OAG Follow up Audit Guidelines 2018*, there is no established practice for materiality of audit findings or recommendations to determine if a follow up requires new additional investigations or audits. However, the need for a follow up audit is now addressed under Section 5.5.4 of the new ISSAI compliant Compliance Audit Manual.

Domain D - Financial Management, Asset & Support Services

- 2.49 SAIs should lead by example by managing their operations in accordance with the principles of economy, efficiency and effectiveness, and in accordance with national laws and regulations.
- 2.50 Under this domain, the assessment was on our internal system of financial management and controls, planning and effective use of assets and infrastructure as well as policies and practices regarding our support services activities.
- 2.51 Financial management and support services of the OAG are the functions of the Corporate Services Section headed by the Deputy Auditor General.
- 2.52 The assessment score was on the higher level of 3.

Strengths

- 2.53 OAG has good internal practices regarding financial management, which is supported in this by a Finance Manual that had recently been reviewed. The Manual is available to all staff and provides guidance on the OAG’s financial affairs including revenue management, asset management, procurement and expenditure and other financial matters.
- 2.54 OAG’s financial statements is subject to external audit annually by an international accountancy firm with audited financial statements published in our Annual Report, which is also submitted to Parliament annually and made available publicly.

- 2.55 We have adequate assets and IT infrastructure in place and an IT support strategic plan (2018-2021) which sets out the long-term plan of the Office's IT infrastructure. The IT infrastructure has been recently reviewed by an external party to identify the capacity and infrastructure required for having the IT services in-house. Archiving and file management facilities and practices support the core work of the OAG.

Opportunities for Improvement

- 2.56 Although a review was recently done in 2019 by an external party annual reviews of assets and IT infrastructure for improvements were not performed for previous years with inadequacies reported in the Annual Report. However, the requirement to carry out review of IT infrastructure annually may be costly and will also depend on budget availability.
- 2.57 Administrative support functions have not been reviewed for the past 5 years and any proposals for improvements addressed. Nonetheless, recent changes to the OAG Structure from 1 August 2020 have captured improvements required in the administrative support functions.

Domain E - Human Resources & Training

- 2.58 The assessment for this domain covered OAG's human resources function and professional training and development practices that ensure staff have the skills and competencies to conduct high quality audits. The indicators included:
- Human resource (HR) management
 - Professional development and training
- 2.59 The scores for this domain were at the lower levels of between 0 and 2. Although OAG's commitment to staff training and development was acknowledged, the absence of an Office-wide Human Resources Strategy and training plan not structured according to the training needs under the three streams of audits greatly impacted the scores for this domain. As reported in the 2019 Annual Report of OAG, there was a total of 58 training and development sessions that staff participated in during the year which included local, overseas and on-line.

Strengths

- 2.60 OAG has a well-developed and comprehensive Recruitment and Selection Policy based on the merit principle. Staff promotion follow procedures and processes stipulated in the policy meaning that vacant positions are open to competitive selection. The procedures for recruitment promote diversity in that it adopts an "open merit system". The procedures apply to all positions within the OAG including wage earners, temporary staff and to all appointments including promotions, secondment and acting in higher positions.
- 2.61 OAG has existing policies that collectively take care of staff welfare. There are effective remuneration, promotion and staff welfare practices in place as demonstrated by having a performance management system which establishes policies and procedures to ensure individual performance appraisals are carried out at least once a year. The performance appraisal assessed the employees' performance against the performance agreement documented in each staff's individual work plan (IWP).

Opportunities for Improvement

- 2.62 At the time of assessment, OAG did not have an Office-wide HR strategy, however there are wide ranges of policies that have been established to address human resource management issues. A Human Resource Strategy is currently in the development stage and will be approved for implementation in the first quarter of 2021.
- 2.63 OAG has a dedicated HR Unit, however, responsibility for the HR management function is spread across a number of positions within the Corporate Service Division, under the supervision of the Deputy Auditor-General, and does not just reside solely with the Senior Administration Officer-HR. Consolidation of Human Resource Management policies and practices would lead to better coordination and optimal deployment of available resource.
- 2.64 OAG requires capacity building of the officer in charge of HR to meet the necessary qualification and experience in human resource management required by the Office.
- 2.65 OAG has a training plan based on the identified needs of its staff gathered through Annual Performance Assessments (APAs). Staff also take part in a range of training programmes provided by the OAG as well as regional and international stakeholders. These demonstrated the OAG's commitment to staff development and training. However, this commitment is to be further consolidated and well-structured by the development of a training policy and operational plan that identifies the specific competencies required for each of the three audit types – financial, performance and compliance auditing and to match this identification process with available training opportunities.

Domain F - Communication & Stakeholder Management

- 2.66 The assessment for this Domain looks at the extent to which we have established effective communications with our key stakeholders, which comprised two indicators:
- Communication with the Legislature, the Executive and the Judiciary; and
 - Communication with the Media, Citizens and Civil Society Organisations (CSOs)
- 2.67 The overall scores for the indicators were between 2 and 4.

Strengths

- 2.68 We have an integrated communications strategy which is supported by an action plan that guides our interaction with key stakeholders and is monitored. The communications strategy identifies key internal and external stakeholders and the relevant key messages for each stakeholder group using a range of tools and approaches appropriate to each of the key stakeholders that we engage with. Our communications policy also clearly identifies individuals authorized to speak with the media.
- 2.69 We have a robust communication processes with both the Legislature and the Executive. We regularly communicate with Parliament through a series of structured meetings with the Standing Committee on Public Accounts (PAC). An annual feedback process is also instituted with the Legislature through the PAC about the quality and relevance of audit reports with feedback on areas for improvement considered for action. Survey results in 2018 indicated that the PAC was satisfied with the services we provide.

- 2.70 We have a well-developed system for communicating with the media to disseminate the results of our audit reports. This approach also includes provision to monitor the media's coverage of SAI Fiji and the topics addressed by our audits. The OAG website contains a list of articles that it circulated to the media as a means to disseminate audit reports, including performance audit reports. The Communications Officer (a newly created position) monitors the media's coverage, and topics addressed by the audits. The position was also established to handle media requests and is a media contact point.
- 2.71 Our communications policy sets out guidelines for engaging with civil society appropriate to Fiji culture. In this context, we make good use of our online media presence with a dedicated link on the OAG website asking citizens to identify potential areas for our work. This 'outreach' mechanism provides opportunities for citizens to provide input to our work without compromising our independence. We monitor hits on our website related to our social media accounts. We also issue our newsletters to "govnet" website users and upload them on our social media accounts.

Opportunities for Improvement

- 2.72 The Audit Act 1969 does not provide the Auditor-General with the power to communicate directly with the judiciary or report audit findings to prosecuting and investigating agencies. As such any communication processes to guide OAG's interaction with the Judiciary and/or Special Prosecuting Agencies has yet to be developed. This may change when the current audit law is modernized.
- 2.73 Although OAG has some fundamentals in place such as having a website with a dedicated link to encourage contributions and suggestions from the public and a very active online media presence, it is still a work in progress. OAG is to build on these fundamentals by seeking feedback from civil society organisations or the public generally on the accessibility and usability of audit reports.

PART 3 – ACTION PLAN FOR IMPROVEMENTS

- 3-1 OAG will continuously seek to improve the policies, processes, procedures and systems that it uses to deliver on the mandate of the Auditor-General and lead by example.
- 3-2 OAG will also continue to promote transparency and accountability through good governance of its own affairs in an ethical manner in order to fulfil the mandate of the Auditor-General.
- 3-3 The SAI PFM assessment identified numerous key issues that require improvements to enhance or contribute to OAG's delivering its mandate and activities efficiently and effectively.
- 3-4 The key planned actions identified from the areas highlighted for improvements, as stated in Part 2 of this report, and the progress made since the final report was released in April 2020 are documented in the Table below:

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
A - Independence and Legal Framework	1. Review and amendments to the Audit Act 1969: <ul style="list-style-type: none"> to provide greater clarity around financial independence/autonomy to ensure OAG has the right for direct appeal to Parliament if resources provided is insufficient to explicitly provide immunity to the Auditor-General and staff of OAG in the normal discharge of legislated duties to close gaps that may hinder rights of access to information by the Auditor-General in the normal discharge of legislated duties 	1. In-progress	-	1. The work to update and modernise Fiji's audit legislation, the Audit Act 1969, commenced before the SAI PMF assessment. The review was carried out by a legal consultant and funded by PASAI. The review has already considered the three key issues for improvement identified from the assessment. OAG has submitted the result of the review of the Audit Act 1969 to the relevant authorities. OAG now has a separate bank account and accounting/payroll

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
				system to minimise any undue interference on its budget and accessibility to funds.
B - Internal Governance & Ethics	1. Document the practices/processes of developing and monitoring of the strategic plan, business plan and overall annual audit plan.	1. In-progress	30 April 2021	1. The work of documenting the processes and practices OAG follows in developing and monitoring of its plans is currently in progress.
	2. Factor in stakeholder expectations in the development of strategic plan.	2. Completed		
	3. Develop an Annual Overall Audit Plan.	3. Completed		2. In the approved Strategic Plan for FY 2021 – 2025, stakeholder expectations had been factored in the plan through the various surveys conducted by OAG over the years.
	4. Customise the INTOSAI Code of Ethics to Fiji OAG's context.	4. In-progress		
	5. Develop and document process of assessing OAG staff understanding the individual staff declaration of the adopted Code of Ethics.	5. In-progress		3. An Annual Overall Audit Plan has been developed and approved for FY 2020 – 2021.
	6. Policies and procedures for the major areas covering operations to be regularly reviewed.	6. Completed		4. An OAG Code of Ethics is now in place with further revision for alignment to INTOSAI COE to be done.
	7. Document the process/procedures currently used by OAG for the Engagement Quality Control Review (EQCR).	7. Completed		5. This has already been developed and approved. All staff have signed off the declaration.
	8. QA policy should include the process for selecting audits for QA reviews, the frequency of QA reviews and the review of a sample of outsourced audits.	8. Completed		6. The review of all major policies commenced have been

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
				<p>completed. Timelines for review are also documented in each policy.</p> <p>7. An EQCR policy including processes and procedures have been developed and approved. A number of high risk audits have already been identified in the Annual Overall Audit Plan for EQCR for FY 2020/2021, including outsourced audits.</p> <p>8. The QA Policy has been revised to address the KPAs.</p>
C - Audit Quality and Reporting	<p>1. Financial Audit Coverage</p> <p>a. Align the resources to the audits (including the backlog audits)</p> <p>b. Teams are allocated the specific audits which will ensure that there is momentum in performing the audits.</p> <p>c. Implement strategies to resolve any deficiency in resourcing such as recruiting project officers on a need basis.</p> <p>d. Stringent control measures to be put in place to avoid significant leakages from the productive time.</p> <p>2. Timely submission of financial audit results - AG's Report to Parliament to be tabled within 6 to 9 months</p>	<p>1. In progress</p> <p>2. In-progress</p> <p>3. In-progress</p> <p>4. Completed</p>	On-going	<p>1. This is an on-going process:</p> <p>a. This has been captured in the Annual Overall Audit Plan. However, reallocating resources to where it is needed most will continue throughout the FY.</p> <p>b. This has been captured in the Annual Overall Audit Plan.</p> <p>c. Recruitment is currently taking place for contract auditors on one year basis to ease resourcing constraints.</p>

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
	<p>3. Implementing financial audits - there is a need to strengthen two areas in financial audit, the risk assessment process and having a clear guideline on the amount of audit testing to be done in response to the assessed risk.</p> <p>4. Coverage, Selection and Objective of Compliance Audit - Document a systematic process of selecting compliance audit topics and selecting entities to be subjected to compliance audit to ensure reasonable coverage of entities within a period.</p>			<p>d. Measures have been implemented to avoid significant leakages in productive time, such as amending of policies for filling timesheets. Mandatory use of TeamTEC module on Teammate to capture and monitor hours used for audit and non-audit activities.</p> <p>2. This is an on-going process. The current Strategic Plan has captured the requirement to present to Parliament the results of audits within 6 to 9 months after completion.</p> <p>3. The Quality Assurance function has carried out awareness sessions on improving the risk assessment process. In addition, self-learning where staff with issues in correctly identifying the risks are directed to revisit the manual and relevant materials, and auditing standards. This is on-going.</p>

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
				4. With the adoption of Compliance Audit Manual on 19/01/20, staff are more aware and clearer on the requirements of audit conduct process. In addition, compliance audit trainings have been conducted by experts from the AFROSAI-E. QA reviews will be performed on compliance audit.
D - Financial Management, Asset and Support Service	<ol style="list-style-type: none"> 1. Review adequacy of IT infrastructure (computers, software, IT network) in the past 3 years, and any proposals for improvement to be addressed. 2. Report on any inadequacies in assets and infrastructure in Annual Report (or similar). 3. Review of administrative support functions and any proposals for improvements addressed. 	<ol style="list-style-type: none"> 1. Completed 2. In-progress 3. In-progress 	31 April 2021	<ol style="list-style-type: none"> 1. A review was done by an external party before the SAI PMF assessment. Recommendations from this review are currently being considered for implementation. 2. This is captured in the Budget Submission Report. 3. Recent changes to the OAG Structure from 1 August 2020 have captured improvements required in the administrative support functions.
E - Human Resources and Training	<ol style="list-style-type: none"> 1. Capacity build to meet the required qualification and experience in HR Management required by the Office. 2. Develop a Human Resources Strategy. 	<ol style="list-style-type: none"> 1. In-progress 2. In-progress 3. Completed 	30 April 2021	<ol style="list-style-type: none"> 1. The Senior Administration Officer in charge of HR has recently undergone training offered online. This will continue when opportunities arise.

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
	<ul style="list-style-type: none"> 3. Clear demarcation for clarity on HR responsibilities as the HR function is spread across a number of positions across OAG. 4. Develop and document a policy and the process for selecting staff for training. 5. Develop individual staff professional development plan. 6. Develop and structure the training plan according to the training needs of staff under the three streams of audit - financial auditors, performance auditors, compliance auditors. 	<ul style="list-style-type: none"> 4. Completed 5. In-progress 6. In-progress 		<ul style="list-style-type: none"> 2. The work towards developing an Office-wide HR Strategy is in progress. 3. A HR Manual providing clarity on HR responsibilities has been developed and approved in October 2020. 4. A Staff Training and Development Guideline was developed and approved in October 2020. 5. The work on developing professional development plans for individual staff is in progress. 6. Restructuring the OAG Training Plan to clearly capture the training needs of technical staff involved in the three audit streams is in progress.
F - Communications and Stakeholder Management	<ul style="list-style-type: none"> 1. Develop communication processes to guide OAG's interaction with the Judiciary and/or Special Prosecuting Agencies. 2. Seek feedback from Civil Society Organisations/the public on the accessibility and usability of the Auditor-General's Reports to Parliament. 	<ul style="list-style-type: none"> 1. Yet to start 2. In-progress 3. In-progress 	On-going	<ul style="list-style-type: none"> 1. Audit Act 1969 does not provide this power to the Auditor-General. This matter has been covered in the work to modernise the Audit Act. The communication processes can only be developed when the

Domain	Key Planned Action (KPA)	Status as at 31/01/21	Timeline for KPAs in progress/yet to start	Comments
				<p>review to the Audit Act is completed.</p> <p>2. OAG solicits feedback from CSO's, the public, and subscribers to our website as well as social media platforms.</p>

APPENDIX 1: OVERALL SCORES FOR INDICATORS

INDICATOR	DOMAIN	OVERALL SCORE (0 – 4)
A. Independence and Legal Framework		
SAI-1	Independence of the SAI	3
SAI-2	Mandate of the SAI	4
B. Internal Governance & Ethics		
SAI-3	Strategic Planning Cycle	2
SAI-4	Organisational Control Environment	2
SAI-5	Outsourced Audits	2
SAI-6	Leadership & Internal Communication	3
SAI-7	Overall Audit Planning	1
C. Audit Quality & Reporting		
SAI-8	Audit Coverage	1
SAI-9	Financial Audit Standards & Quality	4
SAI-10	Financial Audit Process	1
SAI-11	Financial Audit Results	3
SAI-12	Performance Audit Standards & Quality	3
SAI-13	Performance Audit Process	3
SAI-14	Performance Audit Results	3
SAI-15	Compliance Audit Standards & Quality	2
SAI-16	Compliance Audit Process	2
SAI-17	Compliance Audit Results	1
SAI-18-20	Not applicable to Fiji OAG (For SAIs with Jurisdictional Functions)	
D. Financial Management, Assets & Support Services		
SAI-21	Financial Management, Assets & Support Services	3
E. Human Resources & Training		
SAI-22	Human Resource Management	2
SAI-23	Professional Development & Training	0
F. Communication & Stakeholder Management		
SAI-24	Communication with the Legislature, Executive and Judiciary	4
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	2



Figure 1: SAI PMF Assessment Team with the Auditor-General and other members of the OAG Management Team



Figure 2: Briefing at the end of the SAI PMF assessment



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